

LEGISLATIVE REPORT

A ROUND-UP OF ECONOMIC, EMPLOYMENT AND BUSINESS LEGISLATION FROM MARYLAND'S 2014 LEGISLATIVE SESSION

During the 2014 Maryland General Assembly Session, issues pertaining to Maryland's business climate were in the spotlight. Senate President Thomas V. Mike Miller, Jr., and House Speaker Michael E. Busch kicked the session off by introducing the Joint Legislative Business and Economic Development Agenda. The Agenda included bills aimed to stimulate Maryland's economy. As the State's primary Economic Development agency, the Maryland Department of Business and Economic Development (Department) worked with the administration, legislators, and business stakeholders on budget and legislative priorities to support Maryland businesses and Maryland's business climate.

MEDAAF

While the Department had a number of budget and legislative priorities, Maryland's Economic Development Assistance and Authority Fund (MEDAAF), the Department's principal finance incentive, received the most attention. Through early session committee briefings, legislation that served to modernize the Fund, and an enhanced general fund appropriation, the Department spent numerous hours focusing on this key program.

Established in 1999 by the Maryland General Assembly, MEDAAF was created to fill a critical gap in the State's financing capacity. Recognizing the Fund's flexibility and capability the Department proposed in 2000 to consolidate outdated, duplicative and niche finance programs into the more robust MEDAAF. The purpose of the consolidation was to create predictability and ease of use for customers and ensure a flexible, yet targeted, range of financing assistance programs for evolving economic development priorities.

MEDAAF supports economic development projects across the State that promote job creation, retention, and capital investment. The Fund's capabilities are broad and include: grants, loans, conditional loans, conditional grants and investments to support private sector economic development projects in specific industry sectors, as well as assistance to local jurisdictions. Generally speaking, MEDAAF plays a central role in facilitating major business expansions and relocations. MEDAAF was critical to Maryland's ability to compete with other states and win Amazon's commitment to build a new distribution center in Baltimore City, a project that will bring more than 1,000 new jobs. MEDAAF was also used to help expand the Volvo facility in Hagerstown, retaining 1,340 jobs and creating 140 new full-time jobs.

Since inception, MEDAAF has invested approximately \$200 million in 466 transactions that have:

- Created and retained over 43,000 jobs
- Leveraged over \$3.5 billion in private sector capital investment
- Returned to the State approximately \$10 for every \$1 invested

HB 468 Maryland Economic Development Assistance Fund – Training and Technology Projects modernizes MEDAAF, to fill two existing gaps in Maryland's economic development toolbox by providing the Department with discretion and flexibility to support (1) working capital needs of technology companies with significant growth potential and (2) direct and immediate training project needs of businesses. Currently, MEDAAF can only assist projects with eligible hard cost expenditures.

FY 2015 MEDAAF Budget Appropriation

The \$14.15 million in proposed new funding, will make Maryland more competitive with other states, allow the Department to spur more projects, and help us move forward with the 56 projects in our pipeline that have been approved.

Budget Highlights

The FY 2015 budget process was very successful for State economic and tourism development programs. Initially, the Department of Legislative Services had proposed \$14.7M in reductions to the Department Allowance of \$161.8M. Due to very effective lobbying efforts by our partner organizations, we were successful in getting the \$14.7M in proposed reduction down to only \$593k

Major programs receiving FY 2015 funds:

Enterprise Investment and Challenge Fund: \$29.9M

MEDAAF: \$27.5M

Biotechnology Tax Credit: \$12M

Maryland Tourism Board: \$10.8M

Cyber Tax Credit: \$4M

Small, Minority, Women-Owned Business: \$11.1M

MSBDFA: \$4.8M

Research & Development Tax Credit: \$9M

Film Production Tax Credit: \$15M

State Arts Council: \$17.1M

The National Cyber Center for Excellence (NCCoE) in Montgomery County received \$2M in GO Bonds in the Maryland Capital Budget.

Leadership Package

Private Sector Economic Development Commission

On Wednesday, March 12, 2014, Senate President Thomas V. Mike Miller, Jr. and House Speaker Michael E. Busch announced creation of a private sector-led commission comprised of broad bipartisan economic development stakeholders. The Commission will be led by Norman Augustine, former Under Secretary of the Army, President of Lockheed Martin, and Chairman and Principal Officer of the American Red Cross. The Commission will focus on the State's economic development structure and incentive programs to make recommendations to the presiding officers in December 2014.

CH 530/CH 531 Regional Institution Strategic Enterprise Zone Program

Aimed to access institutional assets that have a strong and demonstrated history of commitment to economic development

and revitalization in the communities in which they are located. Establishes Regional Institution Strategic Enterprise (RISE) Zones and allows businesses locating in such zones to receive State Enterprise Zone property tax credits and income tax credits, as well as priority consideration for assistance from other State programs. Creates a "business and community development concierge" to assist businesses locating in the RISE Zones with permitting and licensing requirements and accessing other State agencies programs. Administered by the Department. Effective June 1, 2014.

CH 532/CH 533 Business and Economic Development – Maryland E-Nnovation Initiative Program

Establishes the E-Nnovation Initiative Program; the E-Nnovation Initiative Fund Authority and the E-Nnovation Initiative Fund in the Department. Leverages the impact of a total of \$100M to recruit and retain top university researchers in scientific and technology fields to enhance the economic competitiveness of the State and build on existing clusters of research and innovation. Effective July 1, 2014.

CH 534/CH 535 Economic Development – Maryland Technology Development Corporation – Cybersecurity Investment Fund

Facilitates the growth of cybersecurity companies in Maryland by creating a Cybersecurity Investment Fund in the Maryland Technology Development Corporation to create and provide more resources for such companies. Furthers the State's efforts to make Maryland the next Silicon Valley for the cybersecurity industry. Effective July 1, 2014.

CH 612 Maryland Estate Tax – Unified Credit

Gradually increases the unified credit used for determining Maryland estate tax for a decedent dying before January 1, 2019 from \$1m to \$4m before recoupling to the federal level. Establishes a fairer State tax policy and positively impact small businesses in Maryland. Effective July 1, 2014.

Tax Credits

CH 525 Income Tax Credit – Qualified Research and Development Expenses Credit Amounts

Increases the annual cap under the Maryland Research and Development Tax Credit from \$8M - \$9M, to enable the State to continue to compete with neighboring jurisdictions, increase the effectiveness of the Tax Credit, support small businesses and encourage companies in high growth industries to stay in Maryland and create jobs. Effective June 1, 2014.

HB 520 Business and Economic Development – Film Production Activity Tax Credit Program/ SB 1051 Business and Economic Development – Film Production Activity Tax Credit Program

Increases the amount of tax credits available through Maryland Film Production Activity Tax Credit in FY 2015 to support Maryland's small businesses, provide jobs for Maryland's film industry cast and crew, and to maintain the film industry in Maryland. HB 520 increases the Tax Credit from \$7.5M to \$11M and SB 1051 increases the Tax Credit from \$7.5M to \$11M. Failed.

SB 787/HB 473 Economic Development - Green Business Incentive Zones

Creates a Statewide program to provide tax incentives to "green businesses". Allows jurisdictions to apply to the Department to designate a green business incentive zone in an area that is a Priority Funding Area and meets other criteria. Green Business Incentive Zones are designated for 10 years. Provides property and income tax credit credits to businesses locating in such zones. Failed.

HB 1163 Income Tax Credit - Hiring Qualified Veterans

Expands eligibility of the qualifying employees with disabilities tax credit to include the employment of qualified veterans. The Tax Credit allows an employer to claim a tax credit for certain wages paid to

the employee and for child care and transportation expenses paid on behalf of the employee. Failed.

HB 1169 Income Tax Credit - Unemployed Veterans – Startup Business

Permits a qualified veteran to claim a State income tax credit, in certain circumstances, of up to \$2,000 of qualified expenses incurred to start a business. Failed.

HB 1180 Environmental Improvement Equipment

Creates an income tax credit in the Maryland Department of the Environment for businesses that manufacture environmental improvement equipment designed to reduce or avoid air pollution, greenhouse gas emissions, or water pollution. The Tax Credit is for 20% of the costs incurred to manufacture equipment. A taxpayer manufacturing existing equipment may not claim more than \$5,000 but a taxpayer that begins manufacturing equipment may not claim more \$15,000. Failed.

SB 633/HB 1262 Maryland Education Credit

Establishes a tax credit program to encourage businesses to make annual monetary contributions to a Student Assistance Organization (SAO). The tax credit will be funded, up to \$15M and administered by the Department on a first-come, first-serve basis. 40% will be allocated to public school assistance and 60% to nonpublic school assistance. The bill provides a credit for 60% of the contributions made to SAOs, up to a maximum credit of \$200,000 per business entity. Contributions will be used for academic tutoring, school supplies, computer technology, special needs services, transportation, tuition and fees, and required uniforms. Failed.

Workforce Development

CH 568/CH 569 Education - Summer Career Academy Pilot Program

Creates a Summer Career Academy Pilot Program from 2015 – 2017 to provide high school students that are struggling with an opportunity to obtain workforce skills and training to increase their opportunity to secure sustainable employment after graduation. The State superintendent will select up to 4 eligible school systems per year and the county superintendent of each school system will designate a certain number of student participants. The Department of Education administers and shall work with DLLR, the Department, and business stakeholders to develop criteria for and identify eligible employers. Students shall receive a stipend and on successful completion of the Program, a completion grant or scholarship. Funding will be provided for in the budget; student participation will be dependent upon funding. Effective July 1, 2014.

CH 652 Higher Education - Maryland Technology Internship Program

Establishes the Maryland Technology Internship Program at UMBC to advance the skills of college students, recent graduates and veterans by connecting them with internships in the technology sector and help businesses recruit qualified employees. The Department will work with UMBC to advance the Program. Funding shall be provided for in the budget and funds may be used to reimburse businesses up to 50% of a stipend paid to an intern but not more than \$1,800 for the first semester and \$1,200 for the second semester. Effective July 1, 2014.

HB 1324 Maryland Youth Employment Act

Creates a Tax Credit to encourage employers to hire disadvantaged youth between the ages of 16 to 24 for STEM integrated positions. The Department would be responsible for certifying both employees and employers participating in the Program. Employers must provide the Department with an estimate on the amount of tax credits they will be eligible for that year; and an explanation on how the position incorporates STEM. The Department may not certify more than \$2 million in tax credits per calendar year. Failed.

Taxes

Corporate Income Tax

Each year the Maryland General Assembly reviews a number of bills that serve to reduce Maryland's corporate income tax. This year was no exception as a number of bills were introduced to reduce the corporate income tax. Failed

SB 395/HB 1298 Business Relief and Tax Fairness Act of 2014

Requires affiliated corporations to compute Maryland taxable income using combined reporting. Reduces the filing fee for a variety of business reports from \$300 to \$150. Failed.

HB 887 Corporate Income Tax – Main Street Employer Tax Rebate Communication Tax Reform

Requires combined reporting for affiliated corporations in Maryland. The Comptroller is required to distribute estimated revenue as a result of combined reporting to the Small Business Personal Property Tax Rebate Fund. This fund will provide the revenue for grants to small businesses to assist them in paying their personal property taxes. Failed.

Tourism, Film, and the Arts

CH 576 Economic Development – Arts and Entertainment Districts – Qualifying Residing Artists

Expands the definition of "Qualifying Residing Artist" under the Arts and Entertainment Districts Program to increase eligibility for an income tax subtraction modification for income derived from the sale or performance of an artistic work created under certain conditions. Effective July 1, 2014.

Community Development

CH 228 Neighborhood Business Development Program – Financial Assistance for Food Deserts

Expands the Department of Housing and Community Development's Neighborhood Business Development Program to support the creation of food-related enterprises that provide healthy foods to residents in food deserts. Establishes an Interagency Food Desert Advisory Committee to advise and make recommendations pertaining to regulations, designation of food desert(s), and promotion of healthy food access for Maryland neighborhoods. The Department serves on the Committee. Effective October 1, 2014.

CH 469/CH 470 Rural Maryland Prosperity Investment Fund - Revisions and Extension of Termination Date

Extends the termination date of the Rural Maryland Prosperity Investment Fund by 10 years to 2030 and expands the purposes of the Fund to include investments in healthcare. Alters the manner in which disbursements to the Fund shall be made. Effective July 1, 2014.

CH 601 Sustainable Communities Tax Credit Program – Extension and Alteration

Extends the Maryland Department of Planning's Sustainable Communities Tax Credit Program until June 2017. Expands the Tax Credit to include a small commercial tax credit for small rehabilitation projects with qualified expenditures under \$500,000 and located in a designated sustainable community. Effective June 1, 2014.

Business Regulation

CH 548/CH 549 Maryland Occupational Safety and Health Act - Chemical Information List – Submission, Maintenance, and Accessibility

Streamlines provisions of Maryland law that require employers to maintain chemical information lists for hazardous chemicals. Effective October 1, 2014.

HB 1086 State Aid – Business Transparency and Financial Disclosure Act

Requires certain business entities that receive a State subsidy of at

least \$50,000 to submit a disclosure report with the State entity that granted the subsidy. Information to be provided includes a summary of the activity that generates eligibility for the subsidy, number of jobs, and compensation plans of certain individuals if the business entity files with the federal SEC. Requires the State entity granting the subsidy to publish on the State entities website a compilation of the disclosure reports in a searchable and downloadable format. The legislation limits the applicability to the Department. Failed.

Small Business

CH 70/CH 71 Economic Development- Equity Participation Investment Program – Small Business

Modifies the Department's Maryland Small Business Development Financing Authority Equity Participation Investment Program (EPIP). Collapses EPIPs Franchise, Technology and Other Business financing capabilities into a more general financing capability designated as Small Business. Adopts the U.S. Small Business Administration definition of small business. Limits financing to \$2M and requires investments to be recoverable within seven years. Effective July 1, 2014.

CH 76 Small Business Reserve Program – Definition of Small Business – Repeal of Sunset Provision

Repeals the termination date of Chapter 539 of 2012, which allows a business to qualify as a small business under the Small Business Reserve Program (SBR) if it does not exceed specified limits for the number of employees or average gross sales. Effective July 1, 2014.

HB 14 SBR – Procurements by Designated Procurement Units

Clarifies the definition of "small business" and requires that a procurement with an expected value between \$15,000 and \$100,000 be designated for the Small Business Reserve (SBR) Program unless the procurement meets a certain exception. Establishes legislative intent that SBR not displace or disrupt important service relationships between nonprofit organizations and State agencies. Requires a report on the impact of SBR on nonprofit organizations contracting with State agencies. Failed.

Cybersecurity

SB 368/HB 801 Commission on Maryland Cybersecurity Innovation and Excellence –Membership, Duties, and Termination/Duties

Increases Commission membership and requires the Commission to work in collaboration with the Maryland Health Care Commission and other stakeholders to develop strategies to enable organizations that adopt telemedicine to practice safe security techniques to minimize cyber-attacks. Extends the Commission by one year, to December 31, 2015. Failed.

Manufacturing

CH 570/CH 571 Northeastern Maryland Additive Manufacturing Authority

Establishes the Northeastern Maryland Additive Manufacturing Authority to foster the economic development of the region and position the State as a leader in additive manufacturing. The State and Cecil and Harford counties may jointly finance the authority and its activities. The Economic Development Offices of Cecil and Harford Counties, along with the Department must provide staff, office space, and operational support for the Authority. Effective June 1, 2014.

SB 872/HB 898 Personal Property Tax – Manufacturing Property – Exemption

Synchronizes the personal property tax laws regulating manufacturing by exempting equipment used for the handling or movement of a finished product at a manufacturing site from the personal property tax. Failed.

Biotechnology

SB 735 Tobacco-Related Disease Products Research, Development, and Commercialization Program

Establishes the Tobacco-Related Disease Products Research, Development, and Commercialization Program and Fund to promote the research, development, and commercialization of innovative products and technologies that address tobacco-related diseases. The Program and Fund would be administered by the Department's BioMaryland Center. Failed.

Studies

CH 365 Maryland Clean Energy Center - Green Banks and Clean Bank Financing Study

Requires the Maryland Clean Energy Center, in collaboration with the Maryland Energy Administration, to conduct a study and make recommendations related to green banks and clean bank financing initiatives, including aspects of implementation and funding. An interim report is due by December 1, 2014, and a final report by December 1, 2015. Effective July 1, 2014.

CH 646 Division of Labor and Industry – Youth Apprenticeship Advisory Committee

Creates a Committee within the Department of Labor, Licensing, and Regulation to support effective youth apprenticeship programs in the State. The Department will serve on the Committee. Effective October 1, 2014.

SB 493/HB 738 Economic Development – Commission on Maryland's Future

Creates a Commission to study and develop recommendations to address the economic renewal of Maryland, specifically focusing on adjustment strategies to address a draw down in federal defense, particularly those strategies noted as effective by the Office of Economic Adjustment of the US DOD. Failed.

SB 523 Task Force to Study a Program for Interest-Free Loans to STEM College Students in Maryland

Creates a Task Force to study and make recommendations regarding interest-free loans or other financing methods for students attending college and specifically for students engaged in STEM; and other tasks related to STEM that will lead to jobs in the manufacturing or technology sector at Maryland military installations. Failed.

SB 625/HB 554 Commission on Tax Policy, Reform, and Fairness

Creates a Commission to review tax policy, determine whether or not the State's current tax structure should be revised and make recommendations that promote job growth and economic development. Membership will consist of State Legislators, key representatives from State Agencies, an economist, academic faculty from the University of Maryland, and two public members with legal and/or tax policy experience. Failed.

SB 628 Task Force to Study the Needs and Expenditures of State Programs

Establishes a Task Force to examine State funding patterns since fiscal 2001 and recommend staffing and program funding requirements in order to meet current or future demands for government services. Failed.

Other

CH 69 State Government – Open Data Policy – Council on Open Data

Establishes the Council to promote the policy of the State that open data be machine readable and released to the public in ways to make the data easy to find, accessible, and usable. The Department will serve on the Council. Effective June 1, 2014.

CH 415 Coast Smart Council

Creates a Council in the Department of Natural Resources which, among other tasks, shall develop specified "Coast Smart" siting and design criteria to address sea level rise and coastal flood impacts on capital projects. The Department will serve on the Council. Effective June 1, 2014.

CH 641 Economic Development - Office of Business Ombudsman – Establishment

Creates the Office of the Business Ombudsman in the Governor's Office to maintain a list of business programs and services in the State; implement a business fairness and responsiveness service that includes resolving problems encountered with businesses; maintain a program to provide information on permits required for business initiatives and assist permit applicants who have encountered difficulties in obtaining timely and efficient permit review. Effective October 1, 2014.

CH 307 Commercial Law – Patent Infringement – Assertions Made in Bad Faith

Prohibits a person from making a bad faith assertion of patent infringement. Creates a cause of action to allow a target of a bad faith assertion to bring a civil action to recover for injury or loss sustained as a result of the assertion. Provides factors for a court to consider as evidence of an assertion made in bad or good faith. If the target prevails, a court may award damages to include court costs and fees, exemplary damages and equitable relief. Effective June 1, 2014.

SB 146 Business and Economic Development - Foreign Trade Zones

Requires the Department to include, a link to the U.S. Foreign Trade Zone Board website, a list of FTZs in the State, and a list of the Code of Maryland Regulations relevant to FTZs. Failed.

For more information please contact the Department's Office of Policy and Government Affairs at 410-767-6312.

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